

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS  
Minutes of Regular Meeting  
Thursday, May 19, 2016**

The Regular Meeting was called to order at 3:30 p.m. at the District office. Present at the meeting: Commissioners L. R. Ghilarducci, Jr., J. S. Korsmo, Jr., and G. J. Rediske; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; and District Secretary C. Butler.

**ANNUAL REPORT BOARD PHOTOS:**

Photos were taken of the Commissioners for this year's Annual Report.

**PUBLIC COMMENT:**

No members of the public were present.

**APPROVAL OF MEETING MINUTES:**

Commissioner Rediske moved to approve the minutes of the April 28, 2016 Special Meeting. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

**FINANCIAL INFORMATION:**

The Finance Director presented the April financials to the Board.

Disbursements made from the General Ledger Fund for check number 335221 through 35292 totaling \$178,294.90, salary direct deposits totaling \$132,440.02, payroll taxes totaling \$53,160.61, and other electronic payments totaling \$92,916.41, for a grand total of \$456,811.94 were presented to the Board for approval. After review, Commissioner Korsmo moved to approve the payables as listed. Commissioner Rediske seconded the motion, and it was passed by a unanimous vote.

**BOARD ADOPTION OF DISTRICT LEAD REMOVAL POLICY:**

The District has not used lead-bearing materials in its construction since the 1960s. In the course of needed repairs over the past 20 years, if any lead-bearing material, fixture, or component was found, it was removed and replaced with non-lead-bearing materials. It had come to the General Manager's attention that the District's past practice of 20 years to remove lead from the water system infrastructure had not been passed down to recent field staff new-hires. To officialize and memorialize the District's 20-year past practice of removing all lead from the system, a Lead Removal Policy was provided for the Board's approval. Commissioner Rediske moved to approve the lead removal policy, Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

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The General Manager reported he had received a call from D. Pell of the State Department of Health regarding the Governor's Task Force for the Removal of Lead. Mr. Pell reported all the lead recently found in the drinking water was on the customer side, not the water system/source side. Mr. Pell also wanted to personally extend an invitation to the District's General Manager to be part of a steering committee on this matter. A formal invitation will be made at the Washington Water Utilities Council where others may sign up as well.

**BOARD APPROVAL OF UTILIZATION OF FINANCING PROGRAM via RCW 57.08.005:**

Legal Counsel J. Milne recently brought it to the General Manager's attention that the District has statutory authority to finance connection charges for up to 15 years, per RCW 57.08.005. The General Manager recommended the Board approve the District's utilization of this financing program and authorize him to offer the financing in situations where it would minimize the impact of connection costs to ratepayers in the future. The General Manager further recommended a 4 percent interest rate.

Commissioner Rediske moved to approve the utilization of the financing program as outlined in RCW 57.08.005 and grant the General Manager authority to negotiate the ≤15-year financing options at a rate of 4 percent interest. Commissioner Korsmo seconded the motion. Ensuing discussion resulted in Commissioner Rediske amending his motion to include interest at the Commercial Prime Rate. Commissioner Korsmo seconded the amended motion and it was passed by a unanimous vote.

**BOARD DISCUSSION RE. TEMPORARY SERVICE AGREEMENT OPTIONS:**

The General Manager discussed with the Board three options he would like to offer customers with open Temporary Service Agreements:

1. Pay for the future connection now with today's dollars;
2. Finance the connection costs over a period of up to 15 years; or
3. If they turn down the offer for options 1 and 2, they would be asked to sign a letter/agreement stating they understand they will pay for the connection at current dollars at the time the main is installed.

If the customer pays for the connection now, and the District installs it later, it would be at a higher price tag than now but may save the District money in that the main would most likely be installed in the course of an R&R project. This would provide an economy of scales versus the customer paying the full price for a separate connection once the main was installed.

Commissioner Rediske moved to approve the 3-option offer to holders of open Temporary Service Agreements. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

**BOARD APPROVAL OF CROSS CONNECTION CONTROL INTERLOCAL AGREEMENT WITH COL:**

The General Manager discussed with the Board the most recent version of the draft Cross Connection Control Interlocal Agreement (ILA) with the City of Lakewood. The City's most recent requested edit was to remove the language stating the City's annual fee to the District of \$18.5K would be increased in accordance with the Seattle-Tacoma-Bremerton Consumer Price Index each year. The District was in agreement, since the District would collect and retain all permit fees for backflow devices and charge for a permit review fee; thus, the District would be able to recover its costs. Commissioner Ghilarducci pointed out the language indicated the prorated fee for 2016 but did not clearly state the annual charge of \$18.5K for succeeding years. The District will consult with legal counsel J. Milne to make the clarification in the language. Commissioner Rediske moved to approve the Cross Connection Control ILA between the City and the District with clarification in place. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

**SUPERINTENDENT'S REPORT:**

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets.

Seismic retrofits on the Oakbrook Tank had to be postponed due to current peak pumping and activity months and warm temperatures and not being able to have tanks down/empty during this time. Contractor T. Bailey will have to come back in the fall to put in the seismic couplers.

At the American Lake Gardens Tank, the contractor ended up needing to sandblast and paint the inside of the tank. The contractor forgot to bid sandblasting and painting for the roof supports. This began as a \$60K change order but was negotiated down to \$31K.

The Seattle Avenue project is back up and running. The contractor forecasts two to three months to finish.

The Bridgeport Way Project is going well; will probably be finished in a week to ten days once the contractor gets the pipe supports for the bridge abutments.

On the South Tacoma Way project, the contractor should be done with the water work on the west side by the end of June. The contractor will go back in September to do the work on the east side of Bridgeport.

District Engineering Consultant G. Gibson had been on the Thorne Lane Project. The design work has been completed but, with over-run on FEMA project, there may not be funds to do that project this year.

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The Superintendent reported D. Huntington, manager of Rainier Rentals, may be contacting the Board regarding a request for a leak adjustment. Rainier Rentals was first notified of a leak in July 2015 and then again in January 2016. The leak was finally fixed in May 2016. The District does not typically give apartment complexes leak adjustments, typically only property owners. The District's policy does not clearly state the District does not award adjustments to commercial customers, however, to give the District the flexibility/latitude to grant an adjustment if extenuating circumstances warranted same. The District's Leak Adjustment Policy does include the required criterion of the situation being a hardship. Since there was no hardship in this case and there were no extenuating circumstances warranting an adjustment, Mr. Huntington's request was denied.

**FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:**

The District was not able to get new surety insurance on the bank loan for the bond refinancing, because the insurance company's bond rating was lower than the District's. Therefore, the last payments are still outstanding. This lowers the net present value of the savings to approximately \$420K. The bond closing was completed May 26.

The Finance Director had been preparing the District's 2015 Annual Financial Report for submittal to the State Auditor's Office. The District's financial statements have to be prepared in accordance with two accounting principles—GAAP (Generally Accepted Accounting Principles) and two GASB's (Governmental Accounting Standards Board) 16 and 68—being applied in the 2015 financials. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Compensated absences for which employees are paid (e.g., sick leave and vacation) are reported in accordance with GASB 16. The District implemented GASB 16 in 2015; this change in accounting principles resulted in a prior period adjustment affecting the Change in Net Position in the amount of \$583,839.

The State's public employee pension plan is reported in accordance with GASB 68. The District implemented GASB 68 in 2015; this change in accounting principles resulted in a prior period adjustment affecting the Change in Net Position in the amount of \$2,163,035. The District did not have to report this information before but now is required to report Unfunded Actuary Accrued Liabilities (UAAL).

**OTHER BUSINES:**

**Board Acknowledgement of Employee Wage Increases**—The Board acknowledged a wage increase for employee P. Kang.

**Wholesale Transmission Main Extension**—The WTME route analysis performed by RH2 Engineers had been approved by all the participating wholesale partners except for Spanaway Water Company whose board was meeting that evening. The analysis cost \$100K with \$25K being the District's portion. Commissioner Korsmo asked where these funds were coming from since this was not a budgeted item. The General Manager

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responded the \$25K would come from half of the money budgeted for replacing 150 root-bound services. The District plans to replace half of the 150 services this year.

**One-day Audit Coming from DCAA**—The Defense Contract Accounting Agency, hired by the Defense Contract Management Agency, called the District to review and present certain accounting questions to the District Finance Director. The questions and answers are being forwarded to JBLM Proposal Project Manager S. Bash of FCSG (Financial Consulting Services Group) for review. A one-day audit will be performed by the DCAA in the near future. This is one more step in the pre-qualifying, pre-award JBLM Privatization Proposal process.

**PNWS Conference**—The General Manager thanked the Board for its support of his involvement in the Pacific Northwest Section (PNWS) of the American Water Works Association (AWWA) as Chair and in support of the recent annual conference in Boise, Idaho where he chaired the conference. Three additional District staff members attended.

**ACE Conference**—The AWWA's annual national conference will be held in Chicago, Illinois this year, with the General Manager, Finance Director, Customer Service Representative III, and Construction Inspector attending. The Superintendent was scheduled to attend but volunteered to stay behind to attend to District projects in motion.

With no additional business to address, President Ghilarducci adjourned the meeting at 4:54 p.m.

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS**

**BY:**

  
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**ITS PRESIDENT**


**BY:**

  
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**ITS VICE PRESIDENT**

**BY:**

  
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**ITS SECRETARY**

**ATTEST:**

  
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**DISTRICT SECRETARY**